




Department of Health Care Services
MEMORANDUM

Date: May 5, 2008

To: Nancy Hutchison, Chief
Health Care Operations
Safety Net Financing Division
1501 Capitol Avenue MS 4504

From: Thomas J. Rakela, C.F.E., Chief 
Internal Audits
1500 Capitol Avenue, MS 2001
(916) 445-0759

Subject: Final Report for Safety Net Financing Division (08602)

Internal Audits has completed its review of the internal controls over the Contract Monitoring and Invoice processes at the Safety Net Financing Division's Hospital/Uninsured Care Demonstration Section and Inpatient Contract and Monitoring Section. The contracts under review were monitored and processed within the two sections. The scope, methodology, and results of the review are included within this memo.

The scope of our review included obtaining copies of contracts representative of the two sections, internal spreadsheets, accounting schedules, and other supporting documentation to ascertain whether the funds allocated were according to statute and proper.

Tests were performed on each type of contract, from the terms of the contract to the payment of invoices. Services specified in the contract were traced to claim schedules and supporting documentation submitted to the section from the contractor. The invoices were traced to the section's internal spreadsheets and proformas for accuracy and timely submission to Accounting for payment. Additionally, various staff personnel were interviewed that perform the contract monitoring processes to clarify the documented procedures and adherence to the terms of the contract.

Our study and evaluation was conducted in accordance with the Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors, and included the audit tests we considered necessary in determining that accounting and administrative controls are in place and operative.

As a result of changing conditions and the degree of compliance with procedures, the effectiveness of controls change over time. Specific limitations that may hinder the effectiveness of an otherwise adequate system of controls include, but are not limited

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to: resource constraints, faulty judgments, unintentional errors, circumvention by collusion, and management overrides. Establishing controls that would prevent all these limitations would not be cost effective; moreover, an audit may not always detect these limitations.

Based on our review, the contract monitoring and invoicing processes of the Hospital/Uninsured Care Demonstration Section and Inpatient Contract and Monitoring Section appear to be properly monitored and the goals and objectives of the program are adequately being met.

We appreciate the hospitality and cooperation extended by the Safety Net Division.

If you have any questions, please call me at (916) 650-0272.

cc: Catherine Halverson
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